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2005 NOV 23 P 3: 14

MEMORANDUM

410

AZ CORP COMMISSION
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TO: THE COMMISSION

FROM: Utilities Division

DATE: November 23, 2005

RE: IN THE MATTER OF THIS APPLICATION OF BELL ATLANTIC COMMUNICATIONS, INC. DBA VERIZON LONG DISTANCE TARIFF FILING TO INCREASE THE MAXIMUM AND THE CURRENT RATE FOR LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICE (DOCKET NO. T-03289A-05-0198)

On March 17, 2005, Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, ("Verizon") filed tariff revisions to its Telecommunications Services Tariff and Price List. In these revisions, Verizon seeks to increase its current and maximum monthly recurring charges of its interLATA and intraLATA Long Distance Message Telecommunications Service ("LDMTS") rates for both residential and business customers. LDMTS is the basic long distance service offered to Verizon's residential and business customers for outbound direct-dialed calling. This filing seeks to increase Verizon's current and maximum monthly recurring charge for its LDMTS from current rates of \$0.28 per minute to \$0.35 per minute and maximum rates of \$0.28 per minute to \$0.50 per minute. Verizon's proposed increase are the same for both residential and business customers and for both interLATA and intraLATA service. Because customers may pay more under Verizon's proposal, Commission Staff ("Staff") considers this filing a rate increase.

Verizon indicated that it is filing this tariff revision so that it would have standardized rates nationwide allowing it to operate more efficiently. Verizon indicated that it provides LDMTS in all states except Alaska. Verizon also indicated that it is currently charging \$0.35 per minute for LDMTS in all those states, excluding Arizona.

Since this filing increases the maximum rates for a component of a service that has been classified as competitive under the Commission's Competitive Telecommunications Service Rules, Arizona Administrative Code Rule R14-2-1110 applies to Verizon's proposal. Verizon provided the information required by R14-2-1110 to allow Staff to determine the potential effects of approval of the filing. The information provided indicates that the expected revenue effect of the approval of the maximum rates in this filing is an increase of \$18,300 in Verizon's annual Arizona revenues. The expected revenue effect of Verizon's proposed current rates is an increase of \$4,575 in Verizon's annual Arizona revenues.

THE COMMISSION

November 23, 2005

Page 2

Verizon indicated that it currently has 4,398 presubscribed lines representing approximately 3,000 customers in Arizona. Staff has reviewed Verizon's customer notification and believes that it is consistent with Commission rules.

The rates contained in this filing are for services that have been classified as competitive by the Commission and that are now subject to the Commission's Competitive Telecommunications Service Rules. Under these rules, rates for competitive services are not set according to rate of return regulation. Staff requested information from Verizon regarding its fair value rate base. Verizon indicated that its fair value rate base is zero. However, the rate to be ultimately charged by Verizon will be heavily influenced by the market. Because of the nature of the competitive market and other factors, a fair value analysis is not necessarily representative of the company's operations. Therefore, while Staff considered the fair value rate base information submitted by Verizon, it did not accord that information substantial weight in its analysis of this matter.

Staff recommends approval of this filing.

A handwritten signature in black ink, appearing to read 'EJ. Johnson', with a long horizontal flourish extending to the right.

Ernest J. Johnson
Director
Utilities Division

EGJ:AFF:lhj/JMA

ORIGINATOR: Armando Fimbres

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JEFF HATCH-MILLER

Chairman

3 WILLIAM A. MUNDELL

Commissioner

4 MARC SPITZER

Commissioner

5 MIKE GLEASON

Commissioner

6 KRISTIN K. MAYES

Commissioner

7
8 IN THE MATTER OF THIS APPLICATION)
OF BELL ATLANTIC)
9 COMMUNICATIONS, INC. DBA VERIZON)
10 LONG DISTANCE TARIFF FILING TO)
INCREASE THE MAXIMUM AND THE)
11 CURRENT RATE FOR LONG DISTANCE)
MESSAGE TELECOMMUNICATIONS)
12 SERVICE)
13)

DOCKET NO. T-03289A-05-0198

DECISION NO. _____

ORDER

14 Open Meeting
December 6 and 7, 2005
15 Phoenix, Arizona

16 BY THE COMMISSION:

17 FINDINGS OF FACT

18 1. Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance ("Verizon-LD") is
19 certified to provide intrastate telecommunications service as a public service corporation in the
20 State of Arizona.

21 2. On March 17, 2005, Verizon-LD filed tariff revisions to increase its current and
22 maximum monthly recurring charges of its interLATA and intraLATA Long Distance Message
23 Telecommunications Service ("LDMTS") rates for both residential and business customers:

24 Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance

25 AZ.C.C. Tariff No. 2, Page 1, 60th Revised
AZ.C.C. Tariff No. 2, Page 1.2, 24th Revised
26 AZ.C.C. Tariff No. 2, Page 30.1, Third Revised

27 Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance – Price List

28 AZ.C.C. Tariff No. 2, Page 1, Eleventh Revised

1 3. LDMTS is the basic long distance service offered to Verizon-LD's residential and
2 business customers for outbound direct-dialed calling. This filing seeks to increase Verizon-LD's
3 current and maximum monthly recurring charge for its LDMTS from current rates of \$0.28 per
4 minute to \$0.35 per minute and maximum rates of \$0.28 per minute to \$0.50 per minute. Verizon-
5 LD's proposed increase are the same for both residential and business customers and for both
6 interLATA and intraLATA service. Because customers may pay more under Verizon-LD's
7 proposal, Commission Staff ("Staff") considers this filing a rate increase.

8 4. Verizon-LD indicated that it is filing this tariff revision so that it would have
9 standardized rates nationwide allowing it to operate more efficiently. Verizon-LD indicated that it
10 provides LDMTS in all states except Alaska. Verizon-LD also indicated that it is currently
11 charging \$0.35 per minute for LDMTS in all those states, excluding Arizona.

12 5. Since this filing increases the maximum rates for a component of a service that has
13 been classified as competitive under the Commission's Competitive Telecommunications Service
14 Rules, Arizona Administrative Code Rule R14-2-1110 applies to Verizon-LD's proposal.
15 Verizon-LD provided the information required by R14-2-1110 to allow Staff to determine the
16 potential effects of approval of the filing. The information provided indicates that the expected
17 revenue effect of the approval of the maximum rates in this filing is an increase of \$18,300 in
18 Verizon-LD's annual Arizona revenues. The expected revenue effect of Verizon-LD's proposed
19 current rates is an increase of \$4,575 in Verizon-LD's annual Arizona revenues.

20 6. Verizon-LD indicated that it currently has 4,398 presubscribed lines representing
21 approximately 3,000 customers in Arizona. Staff has reviewed Verizon-LD's customer
22 notification and believes that it is consistent with Commission rules.

23 7. The rates contained in this filing are for services that have been classified as
24 competitive by the Commission and that are now subject to the Commission's Competitive
25 Telecommunications Service Rules. Under these rules, rates for competitive services are not set
26 according to rate of return regulation. Staff requested information from Verizon-LD regarding its
27 fair value rate base. Verizon-LD indicated that its fair value rate base is zero. However, the rate to
28 be ultimately charged by Verizon-LD will be heavily influenced by the market. Because of the

1 nature of the competitive market and other factors, a fair value analysis is not necessarily
2 representative of the company's operations. Therefore, while Staff considered the fair value rate
3 base information submitted by Verizon-LD, it did not accord that information substantial weight in
4 its analysis of this matter.

5 8. Staff has recommended approval of this filing.

6 CONCLUSIONS OF LAW

7 1. Verizon-LD is a public service corporation within the meaning of Article XV,
8 Section 2, of the Arizona Constitution.

9 2. The Commission has jurisdiction over Verizon-LD and over the subject matter of
10 the Application.

11 3. The Commission, having reviewed the tariff pages (copies of which are contained
12 in the Commission's tariff files) and Staff's Memorandum dated November 23, 2005 concludes the
13 tariff is reasonable, fair and equitable, and is therefore in the public interest.

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ORDER

IT IS THEREFORE ORDERED that that the proposed tariff revisions be and hereby are approved.

IT IS FURTHER ORDERED that this decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2005.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:AFF:lhbm/JMA

1 SERVICE LIST FOR: Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance
2 DOCKET NO. T-03289A-05-0199

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